

2016-17 Budget Update

**February 29, 2016
Faculty Senate**



Outline

- Overview of FY 17 Budget Process
- State Funding Update
- Budget Exercise
- Planning for FY 18

Overview of FY 17 Budget Process

Objective

- Educate campus on University's current and projected financial condition and engage faculty and staff in conversations about budget development

Timeline

- Solicit feedback – *February and March*
 - Stakeholder meetings, open forums, survey results
- Budget development process – *February and March*
 - Divisions complete budget exercise
- Budget recommendations – *April*
 - Refine assumptions based on state budget
 - Make budget decisions
 - Present recommendations to campus and Board

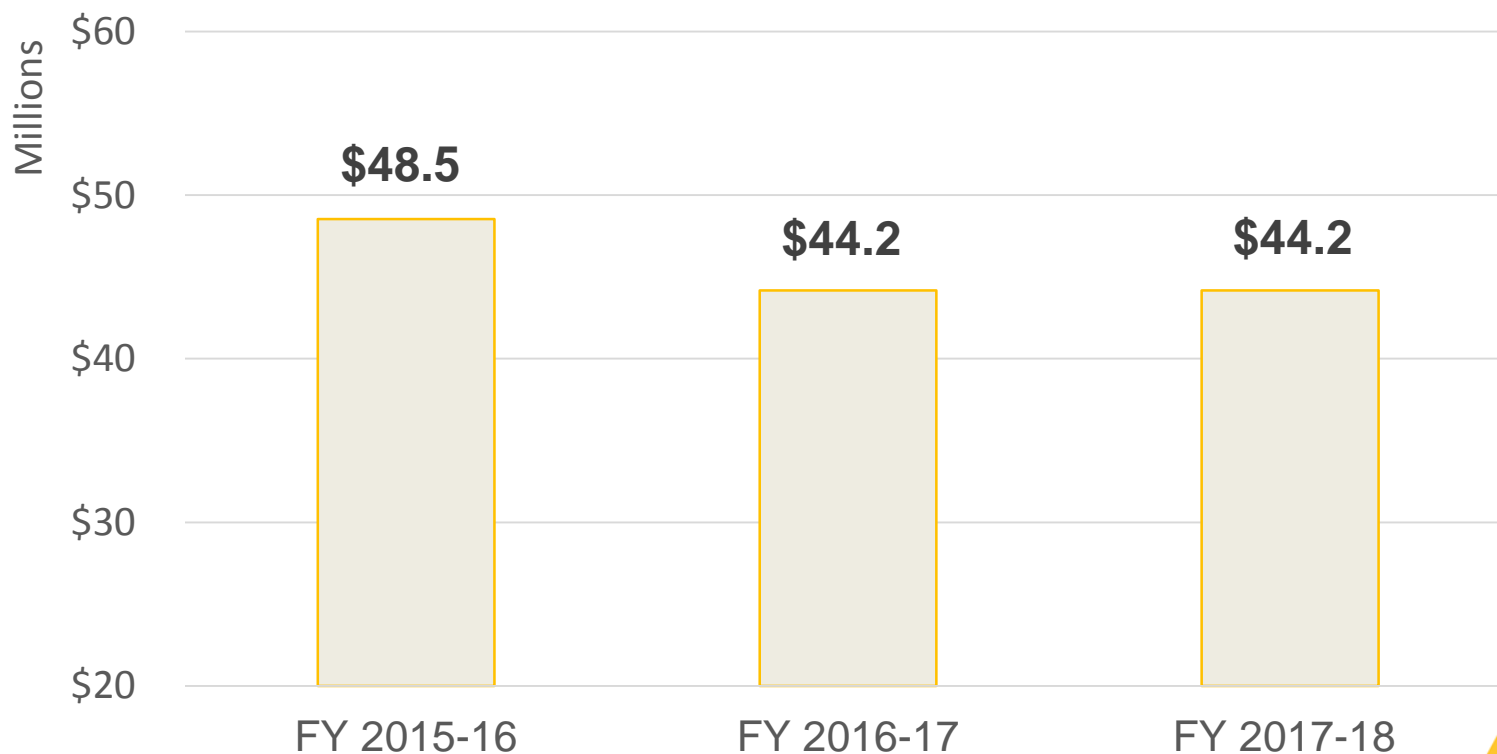
STATE FUNDING UPDATE

Governor's Proposed Budget

- Governor recommended cutting universities by 9% over next three years
 - \$2.1M cut in 2015-16 (may postpone into next biennium)
 - 9% cut in FY 2016-17 (-\$4.3 M)
 - Total 9% cut carried forward in FY 2017-18 (flat funding)
- Governor acknowledged funding disparities by adding equity funding for NKU
 - \$5.3 M in FY 2016-17
 - Additional \$5.3 M in FY 2017-18 for total of \$10.66 M
- Governor recommended beginning transition to new funding model for FY 18

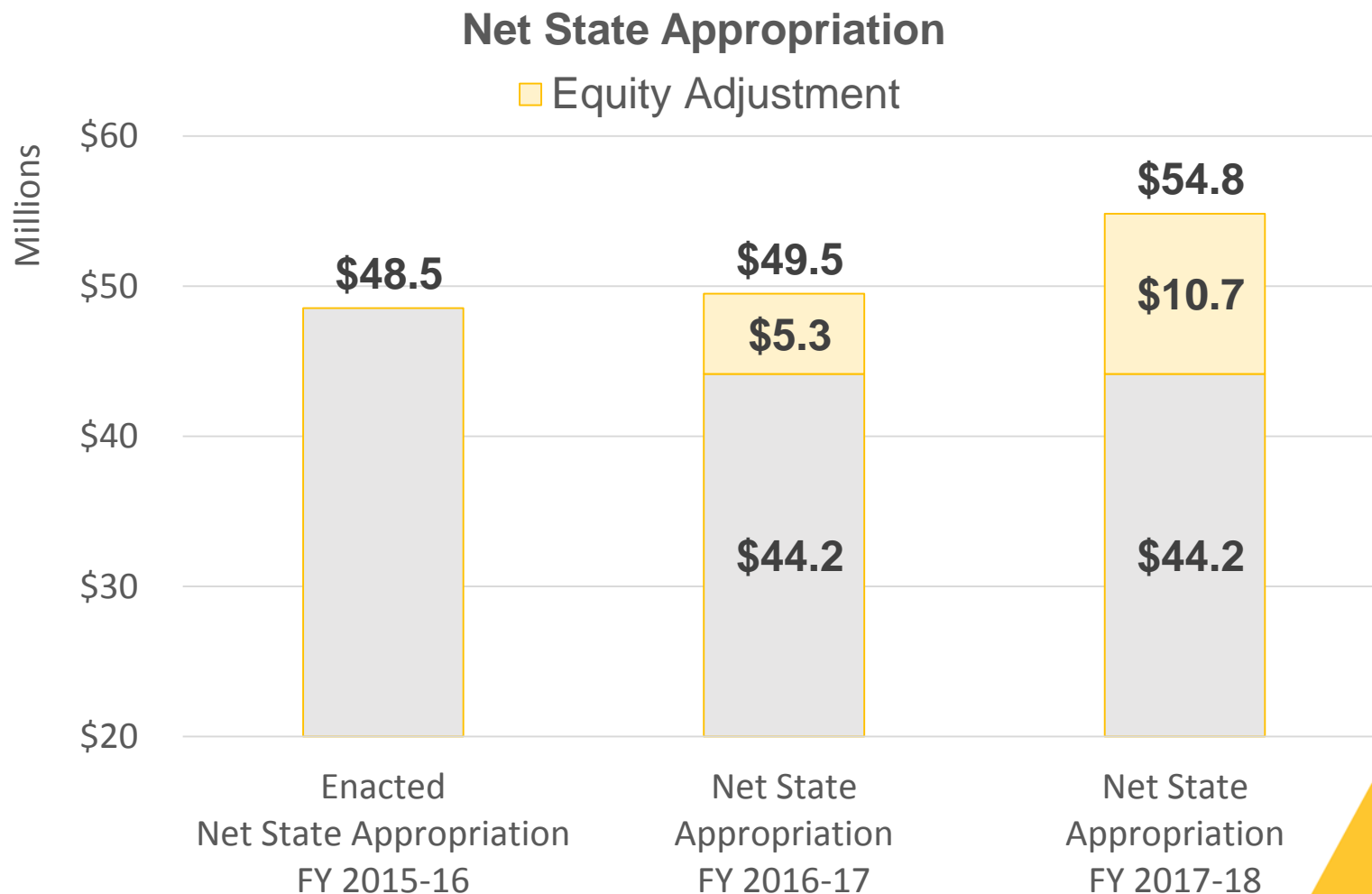
Governor's Proposed Budget

Net State Appropriation



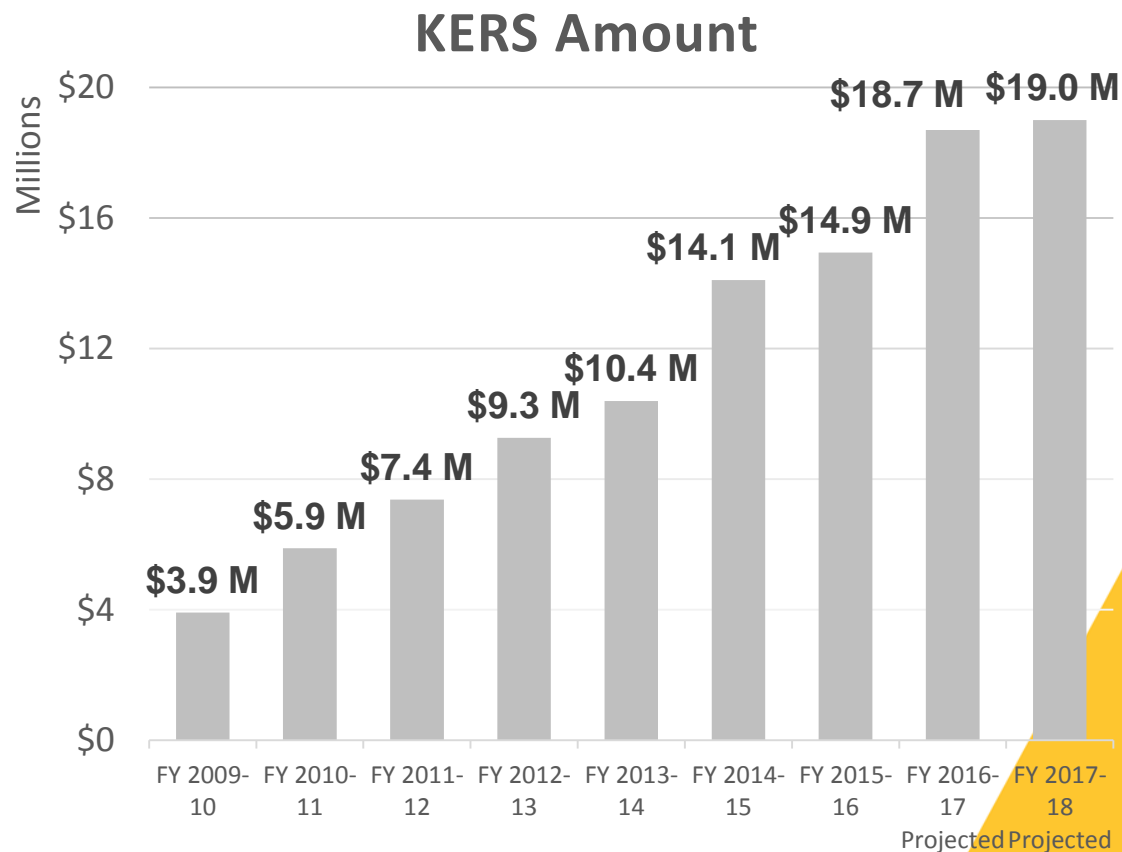
Note: In addition to the recurring cuts, the Governor has proposed a decrease of \$2,184,000 to NKU's allotment by June 30, 2018

Governor's Proposed Budget after Equity



Kentucky Employee Retirement System (KERS)

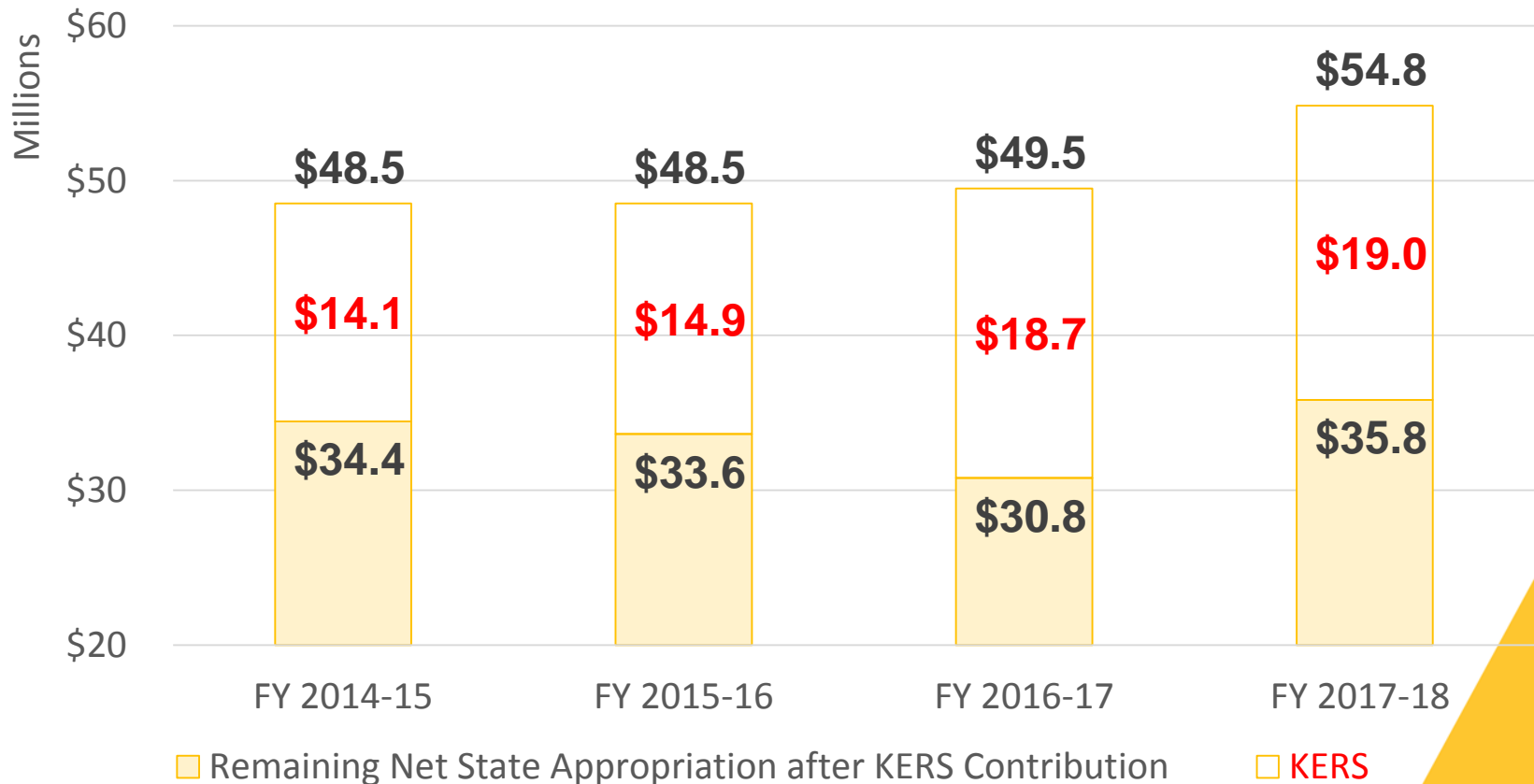
KERS Rates	
FY 10	11.61%
FY 11	16.98%
FY 12	19.82%
FY 13	23.61%
FY 14	26.79%
FY 15	38.77%
FY 16	38.77%
FY 17	48.59%
FY 18	49.47%



Note: FY 17 and FY 18 are projected from Governor's Proposed Budget

Governor's Proposed Budget

Impact of KERS on State Funding



2016-17 BUDGET EXERCISE

2016-17 Budget Exercise Assumptions

- Source of Funds
 - Tuition rate increase of 4%
 - Enrollment decline of 2%
 - Scholarship increase projection
 - Appropriations – Governor's proposed budget
- Use of Funds
 - KERS – Governor's proposed budget (from 38.8% to 48.6%)
 - Fixed costs increase projection

2016-17 Budget Exercise

Source of Funds

Tuition	
Tuition Rate Increase (4%)	\$4.9 M
Tuition Shortfall FY 16	-\$2.6 M
Tuition Shortfall FY 17	-\$2.3 M
Net Tuition	\$0
Scholarships	
Scholarship increases FY 16	-\$0.5 M
Scholarship increases FY 17	-\$1.4 M
Net Scholarships	-\$1.9 M
Net Tuition Revenue	-\$1.9M

2016-17 Budget Exercise

Source of Funds

State Appropriation (Gov. Proposed)	
State Cut (9%) in FY 17	-\$4.3 M
Equity Funding in FY 17	5.3 M
Net State Appropriation	\$1 M

2016-17 Budget Exercise

Use of Funds

Use of Funds	
KERS Rate Increase	-\$3.9 M
Fixed Costs	-\$0.4 M
Compensation Increase (2%)	-\$2.3 M
Budget Recurring Reserve	\$1.5 M
Closing METS	\$0.3 M
Net Use of Funds	-\$4.8 M

2016-17 Budget Exercise

Surplus (Deficit)

Source of Funds	
Tuition (Less scholarship increases)	-\$1.9 M
State Appropriation	\$1 M
Net Source of Funds	-\$0.9 M
Use of Funds	
Net Use of Funds	-\$4.8 M
Net Surplus (Deficit)	-\$5.7 M

Budget Reduction Exercise

- Vice Presidents are preparing FY17 reduction plans at 4% and 6% levels
- The reduction plans are to be completed by March 9
- This exercise is to help us be prepared for possible reductions based on how the General Assembly session proceeds
- Budget address to campus April 18
- Present budget recommendation to Board April 27

2016-17 Budget Variables

Across-the-board pay increase of 1% =	\$1.2 M
Tuition rate increase of 1% (net) =	\$1 M
Enrollment increase of 1% =	\$1.15 M
Average compensation/benefits for FT Faculty =	\$95 K
Average compensation/benefits for FT Staff =	\$75 K

2017-18 NKU BUDGET PROCESS

Transition of Budget Process from FY 17 to FY 18

- FY 17
 - Utilize model to allocate funds
 - Educate and solidify budget governance committee roles and responsibilities
 - Review budget policies
 - Use space committee to prioritize maintenance and renovation projects
- FY 18
 - Utilize model to allocate funds
 - Budget governance committees will make recommendations on budget requests
 - Refine budget policies

FY 18 Budget Process Overview and Timeline



	Collect Data & Develop Assumptions	Develop Cost Allocations	Develop Budget Requests	Finalize Funding Decisions	Update Throughout Fiscal Year
Purpose	Forecast and allocate University revenues; collect allocation variable data	Review administrative support budgets and allocate costs	Collect funding requests from academic and auxiliary units	Review funding requests and set University budget	Revise budget based on updated forecasts and data
Participants	Budget Office, IR Office, Governance Committees (space)	Governance Committees (central units), Admin. Support Units	Deans and Auxiliary Units	Exec. Leadership, Governance Committees (Exec. Budget)	Budget Office, Executive Leadership
Proposed Timeline	Sept. – Oct.	Nov. – Dec.	Jan. – Mar.	Apr. - May	Ongoing

QUESTIONS AND DISCUSSION
